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# ECONOMIC INDICATORS

## NEIGHBOR ISLAND PROFILES

## KAUAI COUNTY IN 1984

The economy of Kauai County in 1984 is finally returning to the level of normalcy that prevailed before the devastation of Hurricane Iwa. 1983 represented an abnormal year, when economic activity was dominated to a large degree by repair and reconstruction of the destruction left by the hurricane. The degree of reconstruction activity across the island showed the extent to which this once-in-a-lifetime disaster affected the economy of the county through the money that it brought into the county in the form of insurance payments, disaster relief, and other government grants-in-aid. Across the island, 523 housing units were totally destroyed, and 4,322 homes were damaged. The Governor's Ad Hoc Committee on the Economic Impact of Hurricane Iwa estimated the damage at $216 million, not including damage to crops of $17 million.

However, the statistics for 1984 show that the economy is gradually settling back to its pre-hurricane levels, although some sectors of the economy are above that level, and some are still behind. Gross business receipts for the county, the broadest measure of economic activity, stood at $555.4 million as of July of 1984, substantially ahead of the 1981-82 pace of $457-$460 million (See Figure 1). State tax collections in the county were also at a high level, reflecting business receipts. They were running at the annual rate of $26.5 million during the same period, compared with $21.9 million in 1982 (See Figure 2).

FIGURE 1
GROSS BUSINESS RECEIPTS
KAUAI COUNTY
1973-1984*

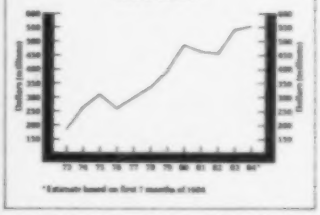
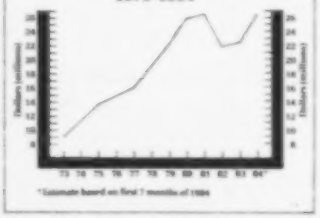


FIGURE 2
COUNTY TAX COLLECTIONS
KAUAI COUNTY
1973-1984*



Generating these strong statistics was the spectacular comeback of tourism to Kauai, which is operating close to the strong levels of the 1979 market, and way above the weak market of 1982 just prior to the hurricane.

Construction is returning to normal now that most of the rebuilding has been completed, except for state projects for which funds have been appropriated and bids are being let. Likewise, total construction jobs are down not only from 1983, but also from 1982, making construction one of the lagging activities in the current recovery. Sugar production has increased in this second drought year, but at the expense of a reduced crop next year.

With this return to normalcy, the county economy is showing evidence of a definite upturn, following the patterns being established throughout the state and in the other counties.

Like the other counties, the strong resurgence of tourism is the chief cause of the upturn. However, evidence appears to indicate that the Kauai tourist market tends to function either as an overflow market for the primary market areas, or as a destination area for repeat visitors who have seen Honolulu and Maui, and want to see beyond those shores. Since the ebb and flow of visitors tends to fluctuate according to what happens in the primary market areas, the ability of the Kauai market to capture a larger segment of the overall visitor market will depend in large part, not only on aggressive marketing for the island as a whole, but also for the various competing segments within that market. The evidence this year tends to show that those operators who have developed strong marketing programs have generally fared better than those who have taken a more passive attitude.

This situation may not be quite that visible because the Kauai market has become much more segmented than in the past with many different varieties of accommodations now available for a wider range of clients. They range from the fee-simple condo to the leased unit, rented short-term condo, the time-share condo, all the way up to the regular hotel-type accommodations. For this reason, the occupancy rates issued monthly may no longer measure the full impact of visitor counts on hotels. As a result of increasing market segmentation, families and larger groups are more often choosing the various types of condo arrangements being offered, while singles and free independent travelers (FITs) are staying with the convenience of the traditional hotel accommodation. It appears that the only operators who have been able to overcome this segmentation process are those with aggressive and effective marketing and promotional campaigns specifically targeted at the various client groups.

Given the strong stimulus of tourism, moreover, indications are that the economy is in the initial stages of a strong upturn. Total job counts for the first seven months of this year averaged 18,100, slightly below the level of a year ago (See Figure 3); but, unemployment is also down to 7.4 percent from last year's 7.8 percent (See Figure 4). Total service jobs for the first seven months are averaging 2.2 percent more than for the total in 1983, going from 4,250 to 4,345. The gain was due mainly to the increase of 4.8 percent in hotel jobs and a one-percent increase in wholesale and retail jobs.

FIGURE 3
TOTAL JOB COUNT
KAUAI COUNTY
1973-1984*

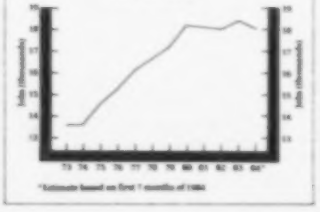
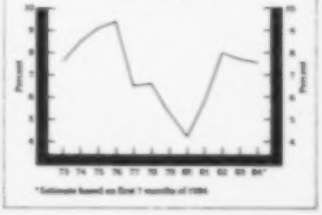


FIGURE 4
UNEMPLOYMENT RATE
KAUAI COUNTY
1973-1984*



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However, field jobs in sugar are down 6.6 percent to 1,167 as the sugar plantations are doing everything possible to keep costs down and survive in these difficult times for the industry. Jobs in diversified agriculture are also lower by 6.6 percent. State and county jobs are also running lower than last year, reflecting the shortfall of revenues of the past few years.

These shifts in employment may be indicating that Kauai's economic base is in a critical process of transformation, with tourism and tourist-related activities, such as retailing, leading the way, while the traditional agricultural and government jobs begin to decline relative to total jobs. On the other hand, with the change is coming a definite upturn in the economy. Consequently, residents of Kauai are now faced with a crucial decision whether to support the recovery, and push it in the direction of expanding and stabilizing the economic base, or return to the uncertainty of the past. Nukolii has emerged as the symbol of Kauai's ambivalence toward development, and this has adversely affected Kauai's economy more than any other factor in the past few years. While the second Nukolii referendum showed that Kauai residents chose economic growth, much still remains to be done in terms of adjusting Kauai's fiscal and development policies to reflect this new direction.

The issue stems from the fact that demands for future growth appear to be running up against developmental restraints that are basically part of the slow-growth policies of the past. Such constraints are particularly evident in the General Plan mandates, which control development by actually specifying numbers of units to be built in certain areas. This is unprecedented as a planning control device. Furthermore, the growth rate in the General Plan update is yet to be determined by the Planning Department and approved by the County Council. The input by the public at hearings and in public comment has been conflicting at best, seeking the best of both worlds.

Ironically, no matter what growth rate is finally established, the ultimate bottleneck may lie in the capacity of the infrastructure, such as the water, sewer, and transportation system to support growth. According to a State Department of Health administrative rule (Title XI, Chapter 57) that became effective December 23, 1983, any subdivision or business must connect with a **municipal** sewer system in order to receive approval for development. The prime resort area of Koloa-Poipu has no such sewer system. The county can approve a private cesspool or sewer system. However, the operations and maintenance of the facility then become the responsibility of the county rather than the state. However, the county will not be able to afford it because of a shortage of funds.

At present, the federal contribution to the construction of sewer systems is 75 percent, with the state picking up 10 percent and the county being liable for the remaining 15 percent. After next year, the federal contribution will drop to 55 percent, with the remainder to be shared between the state and county. Depending on what action the Legislature takes, the county may have to pay more for its sewers.

Thus, despite the appearance of a public consensus on the necessity of stabilizing Kauai's economic base and expanding jobs in the county, much more remains to be done to remove the obstacles to development that exist from the past, and create a more conducive business climate.

On the other hand, while the economy depends mainly on tourism and the sugar industry for its day-to-day sustenance, Kauai has a small diversified agricultural industry whose production last year was 4.6 percent of the state total. The county is attempting to develop this sector with a just-completed Agricultural Master Plan.

Kauai has enjoyed significant defense-related activity in the Pacific Missile Range Facility at Barking Sands for a number of years. But the good news for Kauai is that this facility will be greatly enlarged, providing more employment and requirements for materials and equipment in the near future.

Filmmaking is less tangible than employment on a navy base, but Kauai has done rather well in attracting still photographers who work for magazines and catalogs, TV filming crews and movie film companies. A year ago in September, Mayor Kunimura appointed a Kauai Film Industry Advisory Council to push filmmaking as one means of economic diversification for the county, as well as to promote, encourage, and help anyone who was interested in Kauai as a background for filming.

Even before this organized effort, Kauai had been known for its rivers, waterfalls, valleys, mountains, beaches, and beautiful tropical scenery which were used at one time or the other for Hollywood-type films like "South Pacific." Recently, the county took out an advertisement in the *Hollywood Reporter*, and the mayor on trips to the Mainland and Japan invited filming companies to consider Kauai as sites, promising help from the county, such as expediting the processing of permits, which his office handled.

## TOURISM

It should be no surprise that tourism is leading Kauai back toward economic recovery. With the national economy growing much faster than the most optimistic expectations, the rising spendable income of Americans has shown up in increased travel to Hawaii among the items of increased consumption.

The slump in tourism hit Kauai for five consecutive years, the longest decline that any county in the state has suffered. The biggest factor in the late recovery was Hurricane Iwa's devastation in November, 1982. It was not just the reconstruction period that kept visitors away, but the undeserved image among travel agents that Kauai could not handle great numbers, an image that persisted long after the repairs were completed and hotels were ready to welcome old friends back to the island.

A personal effort by Mayor Kunimura who traveled to Asia and the Mainland to bring the message that the Garden Island was ready and waiting for visitors, and promotions by the Hawaii Visitors Bureau, hotels, industry associations, and airlines, particularly United Airlines, convinced travelers to include Kauai on their vacation destinations in 1984. Travel writers also conveyed similar messages.

Historically, the number of westbound visitors to Kauai peaked in 1978 at 837,712 after more than a decade of steady annual increases. This was also the pattern in the other counties. The decline began in 1979 with the sharp increase in oil prices by the OPEC nations and an airline strike. The national recession that started in 1980 and lasted through 1982 had a great impact on tourism due to its length and severity.

For the other counties, 1982 was the turnaround year. It would have been the same for Kauai, too, were it not for Hurricane Iwa. Instead, 1983 became a year of reconstruction and heavy promotion to get the travel routes to Kauai from East and West open again not only physically, but also mentally among those making vacation plans.

For 1983, westbound visitors totaled 691,900. This was 9.0 percent below the 760,549 recorded for 1982, far below the 1978 peak and equivalent to the pre-1976 years. However, the thorough groundwork laid out in the heavy promotions in 1983 began to pay off from the very beginning of 1984. The number for January was 23.5 percent better than an admittedly poor January, 1983, which was only two months after the hurricane. But the increase was no fluke because total westbound visitors for the first quarter came to 203,860 or 29.5 percent more than in the 1983 first quarter. This represented an increase of 7.5 percent over the first quarter of 1982.

The resurgence was strong through the first five months of the year, but the summer was somewhat below expectations, possibly due to other attractions such as the Summer Olympics in Los Angeles. But the total figure for the first eight months was still 13.9 percent better than for the same period in 1983. Compared to the same time in 1982 prior to Hurricane Iwa, the 1984 figures show a 1.2 percent gain (See Figure 5).

Kauai's hotel room inventory climbed steadily in the last decade and reached a high of 5,207 in 1982. The hurricane reduced the inventory by 1,061 rooms, of which 838 were in Poipu, the area most exposed to the wrath of Iwa. Several new condominium projects have been added to the visitor plant, and the hotel room inventory has climbed to an all-time high of 5,313 this year. Despite this increase, the occupancy rate this year is av-

eraging 65 percent, an encouraging gain from the depressed 57 percentile range in the past two years (See Figure 6).

FIGURE 5
WESTBOUND VISITORS
KAUAI COUNTY
1973-1984*

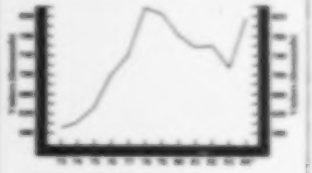
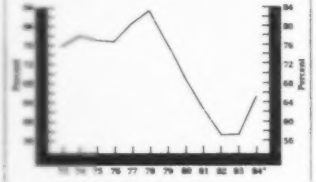


FIGURE 6
HOTEL OCCUPANCY RATE
KAUAI COUNTY
1973-1984*



The changing mix in the hotel inventory is increasing the complexity of the Kauai visitor market. The number of condominium units has increased steadily over the past several years so that they make up 30 percent of Kauai's hotel room inventory today. Their increase is apparently generated by demand. In this year of the return of the visitor to Kauai, condominiums appear to be filled to a larger degree than hotels are.

This dual visitor market has finally come to Kauai, the last county in the state to offer the visitor the more relaxed type of accommodation that has been accepted in other destination areas for years. Because of the numerous small condominium developments on Kauai, this increasing dual visitor market is not easy to discern, except that some of the island's larger hotels didn't appear to be sharing in the big increase in the number of visitors. Condominiums appear to attract families who have been to Hawaii before. They tend to prefer the larger units and the flexibility of being able to prepare their own meals when they want to. This creates a great advantage in terms of cost. Hotels do attract families too, but, they generally concentrate on the FIT market.

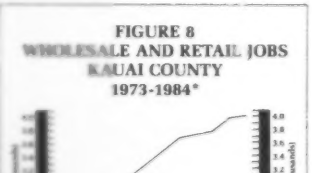
The revival of tourism this year over hurricane-depressed 1983 is helping the hotel-employment picture and retailing around the island. Employment wasn't that badly affected last year by the hurricane except for two months after the big damage. In fact, workers were needed to get the hotels ready for their guests. Average monthly hotel-service employment last year was 2,200. This year, the average is running slightly over 2,300, which would be a record high if maintained for the year (See Figure 7).

Retailing was hit much harder last year, because almost all retailers receive some benefit from visitor spending, but some a great deal more, particularly the shopping centers and dining places. Kukui Grove Center, by far the largest shopping center on Kauai, estimates that visitors account for 20 percent of its sales. The sharp increase in the number of visitors this year is showing up in the higher volume of business being rung up (See Figure 8).

Even more dependent on visitors is the Coconut Plantation Shopping Center in Wailua. Last year was one of declining numbers after years of steady increases. But the visitor has returned this year, and gross retail sales volume is setting new records. The center management sponsors several events a day, such as perfume testing, porcelain making, or a hula show—which have been of great interest to visitors.

FIGURE 7
HOTEL SERVICE JOBS
KAUAI COUNTY
1973-1984*

FIGURE 8
WHOLESALE AND RETAIL JOBS
KAUAI COUNTY
1973-1984*



The importance of tourism for Kauai was not lost on the leaders of the island. From the Mayor on down to industry leaders, they knew that tourism had to be brought back to normal after the hurricane if the economy was to get back on track again. The hard work of repairing the damage to the image of the Garden Island is paying off. It took a lot of time, effort, and money to do this. The story of the devastation of a large section of Kauai was a media event, and people across the country read about it. But a return to normalcy after the cleanup and reconstruction hardly rates space or time in day-to-day news gathering. Therefore the image of devastation remains in the minds of people, and this makes them avoid such places until assured that it is safe again.

The united effort of visitor industry officials who helped turn the tide around is going to continue. The Kauai Chapter of the Hawaii Visitors Bureau was beginning to gear up around mid-year to coordinate promotion for the industry on Kauai. The Poipu Beach Resort Association was formed early in 1982 to promote the Poipu destination area. It soon found itself combatting the wrong impression people had of Poipu. In fact, it was the travel agents who didn't have the correct information and steered their clients to other vacation sites because sending people to damaged places would hurt their business the following year. Although the association works with a small budget compared to those of other such groups, it has been able to leverage other resources by working with organizations such as United Airlines in advertising promotions and travel seminars.

Being the biggest carrier between the Mainland and Hawaii, United has a definite interest in promoting the islands. It also started a daily West Coast-to-Kauai flight on August 1, connecting the last of the major islands directly to the Mainland. The flight comes from Los Angeles to Lihue, then goes on to Maui before returning to Los Angeles. United estimates its direct flight loads to Kauai will be good for the rest of the year. Although some pessimists felt that most of those aboard would go on to Maui, about 45 percent of the passengers were debarking at Lihue in the first month. Hotel managers generally feel that the direct flights will help tourism grow on Kauai. If passenger loads remain high, United can be expected to schedule a second direct flight to Kauai, or other competing airlines may start direct routes to Lihue.

Those anticipated extra flights could easily be accommodated in the fall of next year when the new Lihue Airport terminal building opens. Spaces for the four scheduled airlines now operating out of Lihue Airport are included in the building plans plus two additional spaces for airlines that may decide to fly to Lihue in the future.

Those additional flights may be needed in a year or so if the three luxury hotels now under construction will have any appeal for those who want to visit Kauai. One is the Sheraton Princeville overlooking Hanalei Bay, and another is the Hanalei Plantation Hotel, which also looks out over Hanalei Bay, and almost neighbors with the Sheraton. The third is the hotel at Nukolii, which will be managed by the Hilton Hotel chain.

The Sheraton Princeville Hotel is being built in the form of three separate buildings terraced on the side of a cliff. The building at the lowest level will front on the sand beach. The 300-room structure will be Sheraton's flagship hotel—a first-class operation. It is scheduled to open next summer. Its ballroom will have a capacity of 7,000 and can be used with other facilities for conventions. The hotel will have two restaurants and a coffee shop. There will be a pool near the beach.

Developer Bruce Stark is also building a luxury hotel at the Hanalei Plantation site overlooking the bay and valley. Like the former facility, the new hotel will be made up of buildings built down the slope to the beach below. There will be 12 buildings with a total of 204 rooms, of which 64 will be suites. The three-story main building will be located at the top, and will contain the lobby, administrative offices, restaurant and lounge, a banquet room, and shops. Two swimming pools and a pavilion will be located at the lower end of the property, and there will be two tennis courts on the grounds. Site work started in November, 1983, and the hotel is scheduled to open in November, 1985. Development cost will total approximately $60 million.

Work on the hotel building at Nukolii which was halted by the State Supreme Court two years ago, was restarted on August 15 by

Hawaiian Construction and Dredging Co. with court approval following the second referendum in which voters approved the project last year. Work had stopped on October 15, 1982, on orders from the Supreme Court in this controversial case that pitted anti-development forces against the developers of the resort. The 350-room luxury hotel is scheduled for completion by Christmas of 1985, but it will be opened on October 1, 1985, according to present plans.

The Poipu destination area was the most severely damaged in the November, 1982 storm because it was in the direct path of the hurricane, which came in from the ocean.

Amfac Hotels' Waiohai was closed for eight weeks to the end of January, 1983, and its Poipu Beach Hotel next door was closed to the end of March. Most of the damage was to equipment in the basement of the Waiohai, such as the health club. In addition, the buildings and grounds sustained severe damage.

Much of the strong post-hurricane recovery of the Waiohai and Poipu Beach Hotels was due to their strong marketing programs directed to conference, incentive, and other groups. In addition, the Poipu Beach has a 38-percent repeat factor, and the newer Waiohai a 15-percent repeat factor. Even with the late start in a poor year, the Waiohai ended up with a 53-percent occupancy rate while the Poipu Beach ran it up to 65 percent. They are aiming for 65 and 85 percent occupancy rates, respectively, this year, and further gains next year.

The Sheraton Poipu Beach Hotel, on the other hand, is beset with a much longer recovery period because its beachfront hotel suffered almost total destruction, with 60 units out of 170 lost. The repair included heavy construction work through March of this year, and completion will take most of the year. The result will be a brand new structure with a new restaurant and new rooms. Landscaping will be new, too, as the grounds were badly damaged. In addition, the destruction of its popular beachside bar, now being rebuilt, caused heavy losses for Sheraton this year. In pre-hurricane days before the new 230-room addition was built mauka of the road, the hotel used to have occupancy rates in the 90-percent range every year. With completion planned for 1985, Sheraton sees a big push next year to get their former guests and conventions back to Poipu.

The Kiahuna Plantation condominium apartments probably suffered the greatest overall damage. They were down for over a year due to hurricane damage, and the last condominium only opened in December, 1983. According to management, occupancy should be around 50 percent for 1984, and an improvement is expected for next year as marketing gets rolling again.

Kiahuna's 18-hole golf course was opened last February, and the clubhouse was completed three months later. Being the only course for the Poipu area, play has been good. Ground was broken in July adjacent to the golf course for the Kiahuna Shopping Center, which will have 32,000 square feet of floor space. The scheduled opening is for spring of 1985. There will be a grocery, clothing store, and a fine restaurant among other shops in the center.

Kauai Surf Hotel is just beginning to recover from the effects of Hurricane Iwa. Its beautiful grounds were badly damaged as were parts of the hotel. Its normally strong convention business has not returned to pre-hurricane days, and its traditional guests from the Mainland appear to be going to Europe this year to take advantage of the strong dollar. However, occupancy for the first half of 1984 stood at 77.6 percent, a substantial increase over the 61.7 percent recorded for the same period last year.

Princeville Development Corporation is planning to develop the second phase of its large tract at Princeville. The first 1,000-acre phase is virtually sold out except for a 10-acre future hotel site on the northeast end of the tract. Two condominium projects, one of 32 units and the other of 44 units, are close to start of construction.

The phase-two plans cover 1,200 acres and is before the State Land Use Commission. Residents of Anini, seaward of the tract, have been opposed to the development for environmental and other reasons.

Of the phase-two acreage, 421 acres are being planned for residential resort, recreational, and public use. About 75 percent of the 421 acres will be improved and subdivided into 1,240 single-family houselots ranging from 6,000 to 10,000 square feet in size. An additional 390 acres will be used for a second 18-hole golf course, with 80 developable acres held in reserve and the remainder to be used as permanent open space. In addition, there will be two resort condominium sites, and five acres for public use—possibly a regional library and some retail space.

## SUGAR

Hard hit by disasters due to natural and other causes the past four years, the sugar plantations on Kauai are making a valiant effort to cut costs, raise productivity, and make operations sufficiently profitable to stay in business. The verdict for each plantation will not be in until the results of measures to alleviate the problems are known.

On the legislative front, domestic sugar must be kept in the National Farm Act when it comes up for reconsideration next year before Congress. Unless domestic sugar producers continue to receive the protection now provided under the act, they (including Hawaii's plantations) will not be able to compete against foreign producers, who are subsidized by their governments. A great lobbying effort will need to be made in Washington, D.C. next year to preserve the industry.

The sugar plantations on Kauai have not been in such dire straits for many years, if ever. In 1981, disastrously low prices caused huge losses for almost all of the companies. Then came the wettest year on record in 1982 including Hurricane Iwa which severely damaged the 1983 crop and part of the 1984 crop. The wettest year turned into the second driest year in 1983, and the drought continues this year, affecting crops for the next two years.

To withstand this degree of adversity takes a unified commitment by management and labor to the overall objective of saving the industry, and this is happening. The ILWU agreed to forego wage increases in 1983 as well as to accept other concessions. The work force has been cut wherever possible, and operations have been shut down for short periods or workers put on short weeks for several weeks. These steps cut labor cost significantly. In addition, increases in efficiency in operations helped reduce cost further. Despite these efforts, production cost per ton of sugar was more than offset by the increased cost of supplies and materials in 1983. For the industry as a whole, the profit achieved in 1983 was predominantly from the sale of molasses and excess electric power to the utilities.

In 1983, Kauai sugar plantations produced 205,000 tons of sugar, down 5.5 percent from the 217,000 tons recovered in 1982. But prices were higher in 1983 and gross revenues totaled $77.7 million, slightly more than the $76.4 million crop value in 1982.

Molasses revenues were much better in 1983 because the price was much better than in 1982. Returns came to approximately $2.7 million in 1983 compared with $1.7 million in the previous year.

Sale of excess power to Kauai Electric Co. was a better source of revenues than molasses last year. The continuing drought this



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year has dried up the water supply and hurt power generation, leaving little excess to be exported.

Overall sugar production levels for the first seven months of 1984 indicate a strong upturn of output of 9.8 percent (See Figure 9). However, the overall effect of cost cutting and labor saving policies is evident in the sharp drop of sugar jobs of 6.6 percent during the same period (See Figure 10). This contrast in terms of trends in productivity as opposed to jobs reflects a general trend within the industry, as sugar struggles to remain competitive, while employment continues to diminish over time.

FIGURE 9
RAW SUGAR PRODUCTION
KAUAI COUNTY
1973-1984*

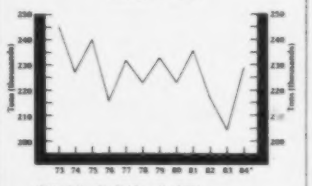
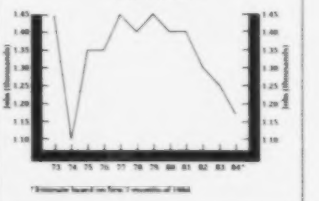


FIGURE 10
SUGAR FIELD JOBS
KAUAI COUNTY
1973-1984*



Kekaha Sugar Co. is forecasting a sugar production of 49,831 tons this year, down from the 54,819 tons produced in 1983. This difference can be explained by the fact that more acres were harvested last year. However, the yield this year will also be down to 11.95 tons of sugar per acre, low by Kekaha standards. Last year, it was 12.69 tons per acre. The basic reason for the drop is the damage done to sugarcane by the hurricane, reducing the stands of cane.

In the meantime, the plantation is seeking to reduce its work force of 438, and had plans to go to a 32-hour work week for up to 20 weeks to cut costs. Even with this savings, Kekaha is expected to break even at best. Plans to improve milling operations to increase power production and raise sugar yield are also underway. Unloading station operations will be improved so that sugarcane will not be wasted. This should result in better sugar yields. A trash-reclamation system will be installed so that more power can be generated. During the off-season, Kekaha will replace its 1,500-kilowatt generator in the mill with a 2,500-kilowatt generator purchased from McBryde Sugar Co. This will give the mill three generators of 2,500 kilowatt capacity each. It takes the same amount of bagasse to run a 2,500 or 1,500 kilowatt generator, so Kekaha's average unit cost of power generation will be reduced.

Kekaha's mauka fields which make up one-third of its planted area are entirely in drip irrigation. The efficiency gained in this process has eased the lack of normal water volume. The makai fields are partly in drip, but there are pumps to supplement the water supply.

The sugar operations of G&R Inc. (Gay and Robinson) are also down this year due to hurricane damage. A crop of 15,000 tons of sugar is forecasted for 1984, 7.8 percent down from the 16,277 tons harvested last year, said Warren Robinson, President. In normal years, sugar production is around 17,000 tons or more annually. Yields also will be down this year to 11.72 tons of sugar per acre from last year's 12.15 tons of sugar per acre. The Robinson family operation is also suffering from the drought. It does not have any water storage facility so must depend on a steady flow of water for irrigation. Its fields will be completely in drip by the end of this year, and that will help during dry periods.

From a high of 233 employees in 1975, G&R Inc. has had to cut their number of employees down to 136 this year. The reduction has been made possible by the conversion to drip irrigation. Their sugarcane is processed by Olokele Sugar Co. G&R's operation was profitable last year only because its cattle production returned a profit. Between 600 and 800 heads of cattle are shipped to the Oahu feedlot annually. However, the drought has hit the herd up in the mountain areas, with many having died of starvation.

Neighboring Olokele Sugar Co. will produce an estimated 27,200 tons of sugar this year, down 652 tons from last year, with yields slightly better than last year's 11.69 tons of sugar per acre. But it is expecting a big jump in yield next year to 13.23 tons of sugar per acre, and an increase in total production to 30,400 tons of sugar. That will signal a recovery from the hurricane, the first plantation that will be back to normal.

Poor in water resources, Olokele was the first plantation to install drip irrigation. Now it has started to automate that system so it can irrigate on weekends, and clear the system automatically by back flushing when the silt builds up in the tubes. This will be a four-year project. In order to conserve on labor costs, Olokele put its employees on a 32-hour week in mid-July for ten weeks, and has put a freeze on hiring except for critical jobs.

McBryde Sugar Co. probably sustained the heaviest damage of the island's plantations from the record rains and hurricane of 1982. The heavy rains forced delays in harvesting the 1982 crop, and some acreage had to be carried over to the 1983 crop. The hurricane damaged the fields so that yields will be below normal for both the 1983 and 1984 crops. McBryde normally produces 60,000 tons of sugar a year, but this year's crop will be a low 49,500 tons. This year's drought, which cut normal rainfall at McBryde by more than half, will affect the 1985 crop adversely. Alexander Reservoir, which holds 850 million gallons of water, has been empty for some months. The Waita Reservoir, with a capacity of 2.3 billion gallons, was down to less than 5 percent of capacity at mid-year. McBryde doesn't see a return to normal production until 1986, that is, if there is sufficient rainfall next year.

The drought has also reduced power generation at McBryde, and sales to Kauai Electric are down to half the volume of a normal rainfall year. To relieve its financial difficulties, the company has reduced its work force by 10 percent since the beginning of 1983, and put a freeze on hiring. Work opportunity has also been reduced for those on the payroll, and other costs have been cut. But, McBryde will have another loss in 1984.

Lihue Plantation Co., like McBryde, is practicing survival agriculture as the drought intensifies and sugarcane begins to die in the unirrigated fields. This has forced harvesting of younger cane from the 1985 crop before they are totally lost. Even in the irrigated fields, only the cane that needs it most, gets the water.

Chemical ripening of cane with harvesting scheduled when the sugar content is highest has helped yields. In the milling process, by getting all the juice out of the cane, and striving for more sugar and less molasses in the boiling process, the result has been an increase of 1.7 tons more sugar per acre even though each acre is yielding 10 tons less sugarcane than last year. This year's production will be 72,000 tons compared to the earlier forecast of 68,500 tons. The resulting yield will be 9.6 tons of sugar per acre, or a 17-percent increase over the 8.2 rate in 1983.

Lihue has also tried hard to reduce costs. The company manpower was at 683 at the beginning of the year, and the reduction target is 654 by the end of the year. It wants to trim it down to 550 by 1988. Cost of production was reduced from $476 per ton of sugar in 1982 to $392 per ton in 1983, and that still didn't produce a profit. Its new goal is to get the figure down to $350, and the



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plantation is attempting to do this essentially by increasing yields.

## DIVERSIFIED AGRICULTURE

Kauai County has never played a dominant role in the state's drive to produce more of its own food or to grow more export crops. The value of the county's diversified agricultural production last year amounted to $9.1 million or only 4.6 percent of the state's total production of $199 million. The 1983 value represented a decline of 3.9 percent from the previous year, due mainly to destruction wrought by Hurricane Iwa in November, 1982.

Suffering the heaviest damage by far was the papaya industry, which was virtually wiped out in the storm, requiring complete replanting, and left without a fruit to harvest for most of the year. Production was at 780,000 pounds in 1983, down from 3.2 million pounds in 1982. But this year, production from the new plantings was high in yield, with Best Fruits, the processing cooperative for the growers, reporting million-pound weeks. During the summer, the co-op installed a double-dip processing line to take the place of EDB fumigation, which became illegal on September 1.

Like the Big Island growers, Kauai ran into overproduction problems, and all of the harvest could not be marketed. Some of the fruit was sent to Oahu markets, which were already saturated with the huge harvests from the Big Island.

Kilauea Agronomics, which has a 330-acre guava orchard on former sugar lands, had the same problem of overproduction. The yield last year was 25,000 pounds per acre for a total production of 3.5 million pounds, which were converted into puree. Eighty percent of the production is marketed in the islands, which is already saturated. Its parent company, C. Brewer & Co., is attempting to develop more markets on the Mainland.

Kauai is also the biggest producer of seed corn, with three companies having operations there. DeKalb-Pfizer Genetics has its seed farm in Hanapepe Valley, Pioneer Hi-Bred International has farms in Waimea Valley, Waimea, and Kekaha, while Pride-Northrup King operates in Waimea. Pride-Northrup King has 105 acres of nurseries, used almost entirely for seed corn experiments, but also 10 acres for soybean seed research, and five acres each for sunflower and cotton seed research. It receives the corn seed early in the summer, and its researchers get three successive crops which advances the research rapidly as only one crop is possible on the Mainland. Cotton can be grown year-round, and the company plans to increase this acreage to speed up research.

Pioneer Hi-Bred moved into a new office-warehouse building beyond Kekaha last year. It is doing research work with corn on 110 acres, with soybeans on 10 acres and with sunflower on five acres. It has eight full-time employees and 15 to 25 part-timers with the heaviest work during the winter. The hurricane wiped out its entire crop late in 1982, but it was back in production a month later.

One of the bright spots on the diversified agricultural scene on Kauai is the successful operation at Prawns of Hawaii, Inc., in Kilauea. The farm was started in 1977 with 24 acres of ponds. This was expanded to 32 acres a few years ago, and last year was its first profitable year.

The farm had been getting larvae from the state hatchery but last year, it put in its own hatchery. It is a recirculating salt water hatchery, requiring the hauling of seawater from the ocean. It has gone through two rounds of baby prawns now with a survival rate close to 100 percent.

The farm operates with four full-time employees and three part-timers. They have kept operations efficient and costs low and succeeded where C. Brewer & Co. and Amfac failed in their attempts to raise prawns through corporate agriculture.

In order to push the development of diversified agriculture as an important part of the economy, the County Administration had a Kauai Agricultural Master Plan prepared. The Plan recommended that a comprehensive marketing profile be undertaken as a first step in implementation of the plan.

The study sees excellent opportunities for the expanded production and marketing of some of Kauai's farm crops. For the short-term, the suitable crops listed are bananas, taro, guava, papaya, and such vegetables as eggplant, Manoa lettuce, green onion, and bell pepper. For the long-term, the list includes feed crops, seed corn, flowers, and potted plants.

Guava and papaya production have already reached the point where marketing cannot keep up with production. Banana production has been increasing, particularly in the Kilauea area, to make the island more self sufficient. Successful vegetable production requires better coordination among growers and much better marketing, problems that have plagued local agriculture for years.

Transportation has been, and remains, one of the problems that farmers face in their marketing program. Matson Navigation Co.'s more efficient freight service has improved transportation for such export crops as papaya and guava puree. Papaya in containers that leave Nawiliwili Wednesday afternoon get to Honolulu Thursday to make the Matson ship that leaves that day for Oakland, and arrives there the following Wednesday. Since the double-dip fumigation process requires that the fruit be under refrigeration for ten days, the seven-day transit to the West Coast fits the schedule well. For the Southern California market, the fruit is shipped to Honolulu by Young Brothers barge to make Matson's Los Angeles-bound ship. At one time, it took Matson seven days to get freight from Honolulu to the West Coast, but today it takes only seven days from any Neighbor Island port.

In the same way, Matson can get fresh produce from Los Angeles to Kauai in seven days week after week. It is this kind of consistency that local farmers must contend with if they hope to make the island more self-sufficient by replacing some of the imports.

## CONSTRUCTION

As mentioned earlier, construction took a strange turn on Kauai in 1983 due to Hurricane Iwa. It was a year of repair and reconstruction as island residents and businesses went about the task of cleaning up the severe damage left by the hurricane.

The value of private residential permits soared to $71 million for 1983, 153.4 percent more than the $28 million volume for 1982. The value of private nonresidential permits for 1983 was $66.8 million compared to $16.2 million in 1982, a difference of 312.3 percent. Only the total of public contracts awarded was down to $7.9 million for the year, off 68.5 percent from 1982 as government austerity continued.

Construction volume is down this year, returning to pre-hurricane levels where the industry is building a base from which to fashion a recovery. Permit volume for private residences for the first half of 1984 came to $21.6 million, down 45.9 percent from 1983 when comparable volume was $39.8 million. For private nonresidential permits, first-half volume was $5.7 million, down 65.9 percent from the $16.7 million recorded for the same period in 1983. These are the approximate levels that construction had retreated to in 1982.

The volume of government contracts awarded this year was again skimpy, but the huge Lihue Airport project distorts the comparison with last year. Total contracts awarded for the first seven months of 1984 amounted to $32.5 million of which $32 million was in state contracts. In the same period last year, total contracts amounted to only $3.8 million. This year's big state contract volume was made up of the $19 million-segment of the Lihue Airport project plus several hurricane-repair and capital-improvement projects. County projects came to only $499,000 compared to $2.1 million for the first seven months of last year.

Construction employment also reveals the decline in the industry this year. Monthly employment averaged 800 last year, but the average has fallen to around 525 this year. In 1982, the average was 650.

In the second half of the year, the work situation was improving with the state advertising for more bids on projects whose funding would lapse unless contracts were awarded. Kauai Builders, one of the larger contractors on the island, reported that it was down to six men in the first half due to a drying up of contracts. But it won the bids for several contracts in June and July, and its staff was up to 20 men. Work in the private sector is

beginning to pick up also, but difficult negotiations with construction trades unions could hurt the industry in the fall.

## RENEWABLE ENERGY

The drought has greatly reduced renewable energy generation on the island this year. In a normal year, Kauai Electric Co. purchases 50 percent of its annual power requirements for sale to consumers from the sugar plantations which generate power by burning bagasse in their factories and from hydroelectric plants.

In this very dry year, hydroelectric power generation is down substantially. The largest hydroelectric power plant, located at Wainiha, has been working with only half the volume of water that it gets normally. In the meantime, the drought which began last year has reduced crop tonnage, resulting in a lower volume of biomass for power production.

The plantations provided 119 million kilowatt hours of power to Kauai Electric Co. in 1982, 106 million kilowatt hours in 1983, and 90 million kilowatt hours in 1984.

The utility has been forced to burn more oil this year than in other years due to the shortfall in renewable energy. However, the unit cost of production has remained stable due to increased efficiency of the utility's plants and a wider spread of fixed costs due to the greater use of oil generated power.

Lihue Plantation Co. is the only firm power source for Kauai Electric. It has to supply the utility with a minimum volume of power throughout the year, and receives a higher rate than the other plantations which export power only when they have an excess beyond their needs. Lihue supplied 76.3 million kilowatt hours or 64 percent of the 119.3 million kilowatt hours that all the plantations sold in 1982.

Lihue is short of bagasse this year, basically because it has taken a thousand acres of marginal land out of sugar production. But the drought has had an effect, too. It is purchasing excess bagasse from Olokele Sugar Co. and also burning oil to meet its export requirements. To supplement its biomass needs, Lihue Plantation started a 10-acre eucalyptus tree farm this year as an experiment. If the trees do well, the thousand acres once in sugarcane will be converted into a tree farm. Lihue is under contract to supply power to Kauai Electric until the year 2000.

McBryde's hydroelectric production has been affected the most because of subnormal operations at Wainiha and minimal generation at the Kalaheo power plant due to the Alexander Reservoir being empty. Biomass-fueled boilers continue to produce more power than the factory needs, but pumping of irrigation water has been heavy due to the drought. Consequently, the sale of excess power has been running about half last year's volume.

McBryde has plans to build a second hydroelectric generating plant at Wainiha in the mountains several miles above the present unit. Design and engineering work has been going on, but no decision had been made in early fall as to when construction would begin. The new unit will have a 3.8-megawatt capacity, and the investment would total $12 million.

Kekaha Sugar Co. has had two small hydroelectric plants in operation for some years using Waimea River water, but it has more ambitious plans in the Kokee watershed. The Kitano project is ready to begin but financing has not been arranged so far. Using an 800-foot drop in the Kokee ditch, a 24-inch diameter conduit would be installed with the generating unit at the base. The plant will have a capacity of 1.4 megawatts and would produce more power than the two present plants combined. The cost is estimated at $2.8 million. Most of the power would be sold to Kauai Electric.

A more ambitious plan involves the Kawaikoi Dam project at Kokee, where a 12-billion gallon reservoir would be created. The water would operate a series of generating units as it runs down to the lower land where 1,500 acres of arid land would be planted in cane. However, this project has been postponed for now because the relation of benefits to costs have not been determined as significant enough to justify the investment.

Olokele Sugar Co.'s new 1,250-kilowatt hydroelectric plant on the Olokele ditch system has been running at half capacity due to the lack of water. But production has been sufficient for its own needs. G&R Inc., which shares water from this same ditch with Olokele, is also looking into the possibility of building another generating plant on that ditch system.

To conserve water, Olokele Sugar has installed a 42-inch diameter steel siphon to replace a 2,600-foot section of open ditch and flume on the Hanapepe Valley ditch system near the source. The plantation estimates that it saves three million gallons of water a day valued at $300,000.

## DEFENSE ACTIVITIES

Outside of Oahu, only Kauai has military activity that is of any economic significance. This is the Pacific Missile Range Facility at Barking Sands, which is not only presently important to the county economically, but in terms of its potential for long-range expansion.

The mission of the facility is to provide training to entire battle groups in the area of anti-submarine warfare, and also air-to-air and surface-to-air missile target practice. Offshore, the facility has the largest instrumented undersea range in the world covering over 800 square miles of ocean bottom. It can track submarines or torpedoes in the water with an accuracy of plus-or-minus 20 feet. It also operates in air space of 50,000 square miles up to a height of 50,000 feet. Aircraft train with submarines, and are able to provide targets for the undersea crafts.

The facility also has a research and development mission. The newest state of the art weaponry—torpedoes and aircraft weapons—are tested at the range.

The activity in the underwater range is increasing rapidly, and the navies of friendly foreign nations also use this facility, such as during the Rimpac Exercises when the navies of Canada, New Zealand, Australia, and Japan joined the U.S. Navy for joint exercises.

Usage has increased to such an extent that plans are under way now to expand the range to 20 times its present size. The range stretches northwestward from offshore Barking Sands for 800 square miles. Plans call for expanding the range to 16,000 square miles. It is to be expanded both northwestward toward Midway and southeastward toward Oahu. The new underwater range will have an accuracy of plus-or-minus 100 feet, which is sufficient for the type of training that is intended. Accuracy for R&D work is still plus-or-minus 30 feet, so the present range can be used for that work.

At present, the Navy has 140 enlisted personnel at the facility, including 17 officers, and 57 civilian employees. Dynalectron Co., the contractor which supplies the support services, has 400 full-time employees on base. It operates and maintains the entire facility, including security, flight line, radar, telemetry, communication, computers, ordinance, and weapons recovery.

In the next two fiscal years, the expansion of the facility will require the addition of 40 contract employees, 26 civil servants, and 40 to 50 more military personnel. This will add $11.4 million to the civilian payroll, and raise the Navy payroll to $30 million. Replacing equipment and facilities will cost in the area of $49 million. Construction, including a new air strip, hangar, and other facilities will cost $20 million over the next two fiscal years. The maintenance budget will increase from $18.5 million in 1984 to $47 million in 1986.

University of Chicago scientists come to Barking Sands annually to launch huge balloons with instrument packages to collect isotopes of high energy in the upper atmosphere. Last year, they identified 96 elements. Scientists also attempt to measure the earth's magnetic field.

The Barking Sands facility is increasingly vital to the Navy. It will not move away from Barking Sands; in fact, the potential for further expansion is greater. It is not likely that another location in the world can take the place of Barking Sands. There is a small range off Southern California, but it is no threat to Barking Sands. That space is crowded with shipping lanes, air lanes, and oil rigs, and not very likely to gain the importance that Barking Sands has attained.

## SATELLITE TRACKING STATION

The satellite tracking station at Kokee has been involved with the National Aeronautics and Space Administration's space pro-

gram from the beginning as one of 12 stations strung around the world to monitor the space program. The station tracks, and communicates with the satellite and transmits data back to the Goddard Space Center in Houston, Texas.

The station is scheduled to close down in October, 1985, when two satellites positioned 32,500 feet high would require only one station in New Mexico for communication in the shuttle program.

The station is down to 72 employees already, less than half its complement when it was at full strength. The State, Navy, and Air Force will try to absorb the employees when the station closes, but not all will find jobs.

## CONCLUSION

It is our considered opinion that the cogs are in place for the economy of Kauai to begin a period of strong economic growth and consolidation. What remains to be established, however, is the commitment of the people of Kauai to support the kind of institutional and fiscal changes that will be necessary to lay the groundwork for a strong future economy. Whether or not the county will be able to provide the kinds of jobs and opportunities to support the lives of future generations of Kauaians will depend critically on the choices now being made by the residents of Kauai. The prospects for future growth are good. Kauai is blessed with scenic and natural, agricultural, and human resources that have every potential for being fully and well utilized for the future economic prosperity and well-being of the people of Kauai. However, those prospects are not without costs in terms of the financial resources that must be mobilized to develop the kinds of infrastructural and program capability necessary to plan, implement, and administer economic development. Thus, to choose development is also to assume the responsibility inherent in that choice, in terms of the willingness to take on a fair share of the county's fiscal burden to support development. It is a burden that will increasingly fall on the shoulders of the people of Kauai.

Shurei Hirozawa
Vice-President
Marketing Division

## Kauai County Statistics

| | Unit | Period | 1979 | 1980 | 1981 | 1982 | 1983 | Jan.-July 1984 | % change 1st Qtr. 1984/1983 | % change 1983/1982 |
|---|---|---|---|---|---|---|---|---|---|---|
| Population, Resident | number | July 1 | 38,100 | 39,300 | 40,000 | 40,900 | 41,700 | n.a. | 20 | n.a. |
| Per Capita Personal Income | dollars | total | 7,723 | 8,788 | 9,326 | 9,869 | n.a. | n.a. | n.a. | n.a. |
| Civilian Labor Force | number | mo. avg. | 18,450 | 19,950 | 20,550 | 21,300 | 22,000 | 21,893 | 3.3 | −0.9 |
| Employment | number | mo. avg. | 17,450 | 19,100 | 19,400 | 19,550 | 20,300 | 20,235 | 3.8 | −0.7 |
| Unemployment | number | mo. avg. | 1,000 | 850 | 1,200 | 1,700 | 1,700 | 1,650 | 0.0 | −4.1 |
| Unemployment Rate | percent | mo. avg. | 5.3 | 4.2 | 5.8 | 8.0 | 7.7 | 7.5 | −3.8 | −3.8 |
| Total Job Count[1] | number | mo. avg. | 17,200 | 18,200 | 18,150 | 18,050 | 18,450 | 18,100 | 2.2 | −1.4 |
| Gross Business Receipts | mil. $ | total | 394.4 | 487.7 | 465.1 | 457.3 | 541.5 | 277.7 | 18.4 | −2.6 |
| State Tax Collections[2] | thous. $ | total | 22,195 | 25,886 | 26,523 | 22,165 | 22,481 | 15,468 | 1.4 | 1.1 |
| Total Bank Deposits | thous. $ | mo. avg. | 130,465 | 143,588 | 162,797 | 173,980 | 212,261 | 221,895 | −1.1 | 1.1 |
| Debits to Demand Deposits | mil. $ | total | 995.1 | 1,132.2 | 1,109.7 | 1,110.3 | 1,251.2 | 729.9 | 12.7 | −1.4 |
| Estimated Westbound Visitors | thous. | total | 825.4 | 781.4 | 757.8 | 760.5 | 691.9 | 475.6 | −9.0 | 16.3 |
| Intended Length of Stay— Westbound | no. of days | mo. avg. | 3.27 | 3.40 | 3.48 | 3.51 | 4.21 | n.a. | 19.9 | n.a. |
| Hotel Inventory | number | June | 4,064 | 4,435 | 4,832 | 5,207 | 4,475 | 5,313[3] | −14.1[3] | 26.7 |
| Hotel Occupancy | percent | mo. avg. | 76.5 | 69.0 | 62.7 | 57.2 | 57.2 | 64.2 | 0.0 | 13.0 |
| Private Permits | thous. $ | total | 113,920 | 133,094 | 67,311 | 44,236 | 137,850 | 34,013 | 211.6 | −45.7 |
| Residential Permits | thous. $ | total | 100,024 | 74,795 | 41,368 | 28,027 | 71,015 | 25,122 | 153.4 | −40.4 |
| Single Family | no. of units | total | 512 | 377 | 353 | 230 | 282 | 203 | 22.6 | 41.0 |
| Multi-Family | no. of units | total | 1,169 | 793 | 120 | 118 | 79 | 39 | −33.1 | 200.0 |
| Non-Residential Permits | thous. $ | total | 13,896 | 58,299 | 25,943 | 16,209 | 66,835 | 8,891 | 312.3 | −56.7 |
| Public Contracts Awarded | thous. $ | total | 13,537 | 10,938 | 18,083 | 25,061 | 7,882 | 32,541 | −68.5 | 764.8 |
| Federal | thous. $ | total | 440 | 525 | 527 | 4,912 | 533 | 0 | −89.1 | −100.0 |
| State | thous. $ | total | 8,619 | 2,179 | 13,384 | 13,619 | 2,966 | 31,347 | −78.2 | 2,041.2 |
| County | thous. $ | total | 4,477 | 8,234 | 4,172 | 6,530 | 4,382 | 1,194 | −32.9 | −42.5 |
| Real Estate Resales | | | | | | | | | | |
| Single-Family | number | total | 69 | 65 | 45 | 39 | 55 | 44 | 41.0 | 41.9 |
| Average Price | dollars | cum. avg. | 128,184 | 165,787 | 168,294 | 112,518 | 124,539 | 147,030 | 10.7 | 18.2 |
| Condominium | number | total | 70 | 43 | 12 | 27 | 28 | 27 | 3.7 | 125.0 |
| Average Price | dollars | cum. avg. | 133,000 | 147,500 | 144,000 | 162,380 | 141,964 | 131,848 | −12.6 | −20.7 |
| Electricity Generated | mil. KWH | total | 204.2 | 211.1 | 218.7 | 217.0 | 224.8 | 142.6 | 3.6 | 13.3 |
| Telephone Access Lines[4] | number | end per. | n.a. | n.a. | 17,329 | 17,867 | 18,927 | 19,450 | 5.9 | 4.8 |
| Sugar Production, raw sugar 96 | thous. tons | total | 232 | 223 | 236 | 217 | 205 | 134 | −5.5 | 9.8 |
| Diversified Agriculture | mil. $ | total | 8.5 | 10.4 | 11.0 | 9.5 | 9.1 | n.a. | −4.2 | n.a. |
| Crops (excludes sugar) | mil. $ | total | 4.1 | 4.7 | 5.7 | 4.8 | 4.0 | n.a. | −16.7 | n.a. |
| Livestock | mil. $ | total | 4.4 | 5.7 | 5.2 | 4.7 | 5.1 | n.a. | 8.5 | n.a. |

[1] *Refers to number of jobs rather than number of persons employed. Persons with more than one job are counted more than once.*
[2] *Totals do not include property taxes.*
[3] *Data compares February 1983 and 1984.*
[4] *Access lines represent the lines connecting customers to the network regardless of the ownership of the customer premises equipment.*
*n.a. = not available*

RESEARCH DEPARTMENT
NEIGHBOR ISLAND PROFILES
SEPTEMBER/OCTOBER 1984

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